

Ex. 1



U.S. Department of Housing and Urban Development  
New Jersey State Office  
One Newark Center  
Newark, NJ 07102-5260

Mr. Robert Graham  
Executive Director  
Newark Housing Authority  
57 Sussex Avenue  
Newark, New Jersey 07103-3995

DEC 18 2000

Dear Mr. Graham:

Subject: Replacement Units for Columbus Homes  
Additional Fund Reservation of \$16,829,658 for Projected Actual Costs  
for Projects NJ02-045, 047, 048, 049, 050 and 053

We are in receipt of your letter dated December 15, 2000. The Authority has requested to reprogram funds based on projected actual costs, as stated in your Board Resolution, for the above captioned projects.

This office has reviewed your request, along with the Board Resolution and your schedule which identifies the programs and the amounts, totaling \$16,829,658, which are being requested to be reprogram to the Public Housing Development projects NJ02-045, 047, 048, 049, 050 and 053.

The Newark Office hereby approves the reprogramming of these funds. However, in order to put these changes into affect, the Authority is required to submit the appropriate revised budgets, board resolution and any other documentation as may be required by the individual programs.

If you have any questions in reference to this letter, please contact Edward De Paula at (973) 622-7900, Ext. 3641.

Sincerely,

Carmen Valenti  
Director  
Office of Public Housing

EX. 2

Item	FYE 1/31/03
Security expenses questioned costs	\$ 1,903,466
HOPE VI projects questioned costs	550,671
Urban renewal projects questioned costs	3,991,350
<b>Total Section 8 reserves questioned costs</b>	<b>\$ 6,445,487</b>

The NHA's Board of Commissioners Authorize Transfers of \$8.3 million of Section 8 Reserves after January 31, 2003

*Figure 27 - March 27, 2003 Section 8 Fee Reserves Board Resolutions*

Resolution #	Total Amount	Purpose per Board Minutes
H-03-03-27-12	\$ 3,377,636	Resolution ratifying the use of Section 8 administrative fee reserves that remained unexpended from Resolutions #01-9-2, 00-12-2-8 and 01-11-5, to meet the salary, fringe benefits, and contract costs of security personnel in the Low Income Housing Program, in a total amount not to exceed \$3,377,636, and authorizing the extension of the period of authorization of resolution #01-9-2 up to 1/31/03.
H-03-03-27-13	4,950,671	Resolution ratifying the use of Section 8 administrative fee reserves for the purchase of several properties in Newark, and for the payment of suspension, remobilization, and delay costs to Tony Gomes Construction Company, in a total amount not to exceed \$4,950,670.
<b>Total</b>	<b>\$ 8,328,307</b>	

Source: NHA Board of Commissioners Meeting Minutes - March 27, 2003

A reading of the NHA's Board of Commissioners meeting minutes for its fiscal year ended March 31, 2003, reveals that the use of \$8.3 million of Section 8 reserves was authorized by the NHA's Board at their March 27, 2003, meeting - seven days after the FFY 2003 Omnibus Appropriations Act was signed into law - 27 days after January 31, 2003, and four days before the NHA's March 31, 2003, fiscal year end. As illustrated in Figure 27, Board Resolution H-03-03-27-12 authorized the use of \$3.37 million dollars of Section 8 reserves and Board Resolution H-03-03-27-13 authorized the use of \$4.95 million dollars of Section 8 reserves.

#### *Section 8 Reserves used for Low Income Housing Program Security*

As illustrated in Figure 27 above, Board Resolution H-03-03-27-12 authorized the use of \$3.37 million of Section 8 reserves to, "meet payroll, fringe benefits, and contract costs of Security Personnel in the Low Income Housing Program, for the ten-month period 4/1/2002 through 1/31/2003." According to Resolution H-03-03-27-12, the NHA's Board had previously authorized by Resolution 01-9-2 (dated 9/27/01) the use of \$2,000,000 from Section 8 administrative fee reserve funds for the payment of salary and fringe benefits of security personnel for a period of one year ended September 27, 2002. Per Resolution H-03-03-27-12 an

amount of \$1,474,170 remained unexpended from Resolution 01-9-2. However Resolution 01-9-2 had expired on September 27, 2002. Accordingly, Resolution H-03-03-27-12 retroactively extended Resolution 01-9-2 up to January 31, 2003, and authorized the use of \$1,474,170 Section 8 reserves to pay for Low Income Housing Program security costs.

Board Resolution H-03-03-27-12 also references the NHA's Board Resolution 00-12-2-8, which authorized the use of \$16,829,658 of Section 8 administrative fee reserve funds for the construction of 528 townhouse units required by court order to be built by the NHA. According to Resolution H-03-03-27-12, \$1,500,000 of the authorized amount had not been expended and was now available to cover Low Income Housing Program security costs. Finally, Resolution H-03-03-27-12 notes that the NHA's Board by Resolution 01-11-5 authorized the use of \$2,000,000 from Section 8 administrative fee reserve funds for the settlement of a lawsuit associated with a HOPE VI project, and an amount of \$403,466 remained unexpended and was now to be used to cover Low Income Housing Program security costs.

As illustrated in Figure 28, HUD questions the use of \$1.9 million dollars of Section 8 reserves authorized by Resolution H-03-03-27-12 for the NHA's Low Income Housing Program security costs. Board Resolution 01-9-2 (passed 9/27/01) clearly indicates that the NHA planned to expend \$2 million of its Section 8 reserves for Low Income Housing Program security costs by September 27, 2002. The remaining amount of \$1.47 million on that resolution represents allowable costs authorized prior to January 31, 2003. Documentation provided by the NHA indicates that security costs were incurred during the period authorized by Resolution 01-9-2. Although the resolution expired before the NHA transferred funds from its the Section 8 reserves – the oversight resulted from poor record keeping and not from a violation of Federal law or regulation. However, the \$1,500,000 previously authorized by Resolution 00-12-2-8 was not originally intended for Low Income Housing Program security costs. It was only after the FFY 2003 Omnibus Appropriations Act was signed into law and the January 31, 2003, cutoff date was established that the NHA's Board authorized the use of those funds for Low Income Housing Program security costs. Similarly, Resolution 01-11-5 previously authorized the use of Section 8 reserves for a lawsuit settlement and not security costs. The authorization to use the remaining balance of \$403,466 came after the FFY 2003 Omnibus Appropriations Act was signed into law.

Figure 28 – Summary of Security Expenditures Questioned Costs

Board Resolution	Date	Amount	Questioned Cost	Comment
01-9-2	9/27/2001	\$ 1,474,170	\$ -	Expired 9/27/02, authorized use of up to \$2,000,000 for security costs
00-12-2-8	12/12/2000	1,500,000	1,500,000	For use per court order to construct housing units, not security
01-11-5	11/15/2001	403,466	403,466	Funds remaining from HOPE VI settlement
<b>Totals</b>		<b>\$ 3,377,636</b>	<b>\$ 1,903,466</b>	

Section 8 Reserves used for the NHA's HOPE VI Projects

**CERTIFIED  
TRUE COPY**

**RESOLUTION OF  
THE HOUSING AUTHORITY OF THE CITY OF NEWARK**

RESOLUTION NO. 00-12-2-2

**RESOLUTION AUTHORIZING THE RESERVATION OF FUNDS TO COVER  
THE SHORTFALL BETWEEN THE HUD FUNDS AVAILABLE FOR THE  
CONSTRUCTION OF 528 TOWNHOUSE UNITS ON PROJECTS NJ 2-45, 47,  
48, 49, 50, AND 53 AND THE PROJECTED ACTUAL COSTS OF SAID  
PROJECTS IN AN AMOUNT OF \$16,829,658.**

Factual Content certified by

Approved for Legality based on facts stated:

Approved

*[Signature]*

*[Signature]*

*NA*

General Counsel

Contracting Officer

Commissioner *Cartwright* submitted the following resolution

WHEREAS, the Authority is a party to litigation entitled Newark Coalition for Low Income Housing vs. Housing Authority and Andrew Coumo, pending in the United States District Court wherein the Authority has entered into a consent order to construct 1777 units of public housing; and

WHEREAS, the Authority has completed and occupied 949 units, is constructing 300 units, and is required to construct 528 units of housing; and

WHEREAS, an analysis of the funds available in the various reservations of HUD for Projects NJ 2-45, 47, 48, 49, 50, and 53, consisting of 528 units, has determined that there may be a shortfall between the HUD reservation of funds for the Projects and the Authority's best estimate of the cost of development which is \$16,829,658; and

WHEREAS, it is necessary that the Authority provide assurance to the Court that it has the necessary funds available to cover said shortfall in the amounts required for the contracts with Developers for the subject Projects; and

WHEREAS, sufficient funds are available in various reserve accounts and the Authority's Comprehensive Grant Funding to support this commitment as itemized in an attachment hereto prepared by the Assistant Executive Director.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE  
HOUSING AUTHORITY OF THE CITY OF NEWARK:**

1. That the Authority hereby reserves \$16,829,658 to cover the projected shortfall in funding for Projects NJ 2-45, 47, 48, 49, 50, and 53, consisting of 528 units; and
2. That the Executive Director and the Assistant Executive Director for Finance, Planning and Administration are directed to take such actions as are necessary to effectuate the foregoing and provide assurances to the Court in the form of certifications as recommended by the General Counsel; and
3. That this Resolution shall take effect immediately.

Commissioner *Robinson* seconded the motion.

**BOARD OF COMMISSIONERS VOTE OF FINAL PASSAGE**

X - Indicates Vote				AB - Absent		NV - Not Voting			
COMMISSIONERS	AYE	NAY	NV	AB	COMMISSIONERS	AYE	NAY	AB	NV
SMITH	✓				BRADLEY	✓			
CLARK	✓				CONZALE			✓	
CARTWRIGHT	✓				ROBINSON	✓			
ADURATO				✓					

I hereby Certify that the above resolution was accepted at a Commissioners Meeting of the Housing Authority of the City of Newark, NJ. on 12-12-00

*Robert Gray*  
Secretary/Executive Director